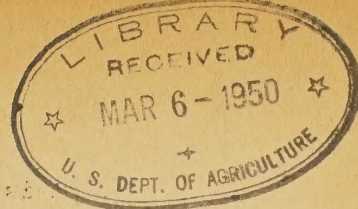


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LOOKING AHEAD WITH COTTON

The Situation in Brief

The cotton supply situation suddenly changed in 1950 from one of surplus to one of deficit. Prices had been close to the loan rate and the supply had been increasing for 2 years in spite of an upward trend in exports.

But in 1950 a short crop, increased United States mill consumption, and still further increases in exports reduced the supply to a very low level. Prices rose. The indicated supply is not sufficient to meet all requirements until cotton from the 1951 crop is available to mills and for export. Limitations have been placed on exports, and the rate of exports during 1950-51 will be below that of 1949-50.

The increase in demand has been generated by a high level of domestic income, an increase in defense programs, and by economic recovery abroad.

The number of bales of cotton American growers can profitably grow and market in the next several years will very likely depend greatly upon the extent to which they can supply the demand in the next year or two. A continued shortage of American cotton during the next few years would force mills to make arrangements for other sources of supply, which, once established, would affect the longer-time demand for United States-grown cotton.

Problems and Opportunities It Presents

This sudden change in the cotton situation presents different problems and opportunities to farmers in different circumstances. For instance:

Bill Smith (a hypothetical farmer, but representative of many real ones) wonders if 16 million bales isn't too much cotton.

Bill has a sizable acreage of good cotton land on which erosion is fairly easy to control. He has always planted up to his acreage allotment. He can plant a much larger acreage without impairing soil fertility. Furthermore, he can plant it with every expectation of a high yield if the weather will give him a break, if he can get the labor to grow and harvest it, and if he can control the insect pests.

But these are big "if's." Bill is much concerned about whether the materials he will need to make a high yield will be available - good seed, fertilizers, insecticides, and a critical item or two of equipment. But he wonders most about whether cotton is likely to be overproduced in 1951 or 1952.



Joe Brown is also a fictitious farmer, but representative of many other real ones. Joe is debating whether to borrow some big money (big to him) and invest it in additional equipment, land improvements, and possibly housing for help. If he does this, he can increase his cotton acreage to a great deal more than he was ever allotted.

Joe figures that these investments would pay out in several years with prices of cotton supported as they are under present law, and especially if prices considerably above support levels should continue for a year or two. But there is still another big "if." He thinks they would pay out if he can continue to grow a much larger acreage than he has been allotted.

Joe knows that, under present law, his 1951 acreage will count in any future allotments, but he also knows that no one can tell him how much his acreage allotment will be, if or when acreage is again allotted. Therefore, Joe is interested in finding out all he can about the cotton situation and outlook.

John Jones (also an imaginary farmer, but representative of still other real ones) doesn't know how many acres of cotton he should plant in 1951. He was never able to make a very good living from all the cotton he could grow. His land eroded so badly because so much of his land was in cotton that he couldn't make profitable yields.

But in recent years he has started practicing a longer rotation and has established some improved pastures and good stands of hay crops. he is building up a herd of cows and adding some other enterprises to his farming system. He has reduced his cotton acreage substantially. Although insects have given him a hard fight in the last couple of years, he made a high yield in 1950 in spite of them.

John has invested a lot of effort and money in the changes he is making. But he is sure he is on the right track - or at least he was until he sold his cotton, recently, for the highest price he ever saw cotton bring.

Now, John is beginning to wonder if he should plow up pastures, sell cows, and plant a much larger acreage of cotton in 1951. He is trying to weigh the "killing" he might make on a much larger acreage of cotton against the disruption of his progress toward a system of farming to which his farm is basically better adapted and which he thinks would earn a better income in the long run. John doesn't fool well enough informed, as yet, to make up his mind.

Now, no one can answer all the questions raised by the circumstances in which "Bill," "Joe," and "John" find themselves. Nor can anyone make their decisions for them. However, some information can be brought to bear on the problems and decisions with which cotton growers are confronted. To help them in this important job is the purpose of the material that follows.



### The 1951 Crop Is Important

The producer who intends to continue growing cotton as one of his major farm enterprises needs to consider his plans for 1951 in light of his long-time interest in both foreign and domestic markets. He will probably be justified in making especially strong efforts to increase his cotton production in 1951.

Early and careful planning will be an important factor in the success of production efforts in 1951. Good planting seed, nitrogen, and the more effective insecticides will probably be scarce in some localities next season. Early arrangements for these and for other fertilizers will probably be to advantage. The same thing may be said of needed items of equipment and repair parts, which might be scarce or not available when needed. Agreements in advance between farm operators and croppers and between owners and tenants on fertilization, plans for controlling insect pests, and division of costs of these items between them will probably be profitable to both. These items should be carefully considered in making the year's financial plans and in arranging for any needed credit.

Labor will be scarce next year, and wage rates higher than in 1950.

Increased expenditures per acre of cotton in anticipation of higher yields per acre will, in most areas, probably prove profitable in 1951. Most farmers should consider the possibility of using improved practices to get higher yields, lower production costs per pound, and increased profits. Careful land selection and thorough preparation, heavy fertilization where effective, good seed, effective insect control, and good cultural practices are well justified in 1951.

### Fitting Cotton Into Balanced Farming in 1951

Individual farms will not consider it advisable to increase cotton acreage at the expense of a well-balanced farming system in which the farm resources are used to approximate best advantage. However, on many farms cotton acreage can be increased on good land without depleting soil fertility, and an increase in cotton acreage would result in more efficient use of land, labor, and other resources under present circumstances. It is on such farms that the needed cotton acreage increase should take place in 1951. Such farms are rare in some communities and areas - prevalent in others. Farmers should ask themselves, individually and in community groups, "Is it good business for me (us) to increase cotton production in 1951? If so, how? How much effort and expense to increase yields is justified? How much increase in acreage, if any, is justified?"

On many farms, a sizable increase in cotton acreage in 1951 would require substantial capital investments. Typical investments of this kind are for drainage, land clearing and preparation, irrigation systems, machinery, and additional or improved housing for labor. In deciding whether to make such investments, decisions about the long-time cotton outlook need to be formed. Consideration should also be given to alternative uses of all available resources - to crops other than cotton which could be grown on land improved, and to other uses of equipment and improvements in which investments are contemplated.



### Some Long-Time Considerations

- (1) Continued full employment and general prosperity in the United States would tend to hold domestic demand for cotton at a high level. This seems likely as long as the present program of national defense continues.
- (2) Foreign customers will probably buy American cotton in even greater volume than last year if it becomes available to them. It is true that much of the exported cotton has been paid for with dollars contributed by the United States Government toward European economic recovery. It is also true that the countries which buy American cotton are now acquiring more dollars by means of exports to the United States and other countries. There are strong indications that they would buy more cotton with these dollars if the cotton were available. Furthermore, there is a strong possibility that this situation will continue, as the United States and most of these countries are committed to a strong defense program. In short, the longer-term outlook for exports (barring the possibility of all-out war) appears to be brighter.
- (3) If there should be a general war, it could involve blockades against ocean transportation, and drastically reduce exports of American cotton, as was the case during the First and Second World Wars. However, if this should occur, production might be curtailed by manpower and other shortages. In this event, a substantial stock of cotton would be advantageous to the United States.
- (4) Increasing competition with synthetic fibers can be expected, both in the United States and abroad. The competitive position of synthetics would be enhanced by a long-continued short supply of cotton.
- (5) Improvement in breeding, growing, processing, and marketing of cotton for specific end uses is expected to continue. These will tend to enhance the position of cotton in its competition with other fibers.
- (6) Increasing population will increase the potential demand for cotton.
- (7) In most years weather conditions can be expected to be more favorable for cotton production than in 1950.
- (8) The defense program and high employment will also create or maintain strong demand for many or most farm products other than cotton.

### Short Crop in 1950

The crop of 9.8 million bales in 1950 is 38 percent smaller than that of 1949, and about 18 percent smaller than the 1940-49 average. A reduction in acreage from 28 million acres planted in 1949 to 19 million in 1950 was one important factor contributing to the short crop of 1950. Another was a reduction in yield per acre from 284 pounds in 1949 to 257 in 1950. A yield of about 280 pounds in 1950 would have been in line with the recent 10-year yield trend. Acreage allotments and unfavorable weather were factors contributing to the



reduction in acreage. Unfavorable weather and unusually heavy insect damage were factors in the reduced yield.

#### Mill Consumption Up

United States mills consumed 1.8 million bales of cotton in August and September 1950. If this rate of consumption continues through the present year, the United States will consume 10 to 10.5 million bales. Such a rate of mill consumption may be compared with the 8.9 million bales consumed in the cotton year that ended July 31, 1950, and the 7.8 million consumed in the year before that. It is not high when compared with annual consumption during the war and early postwar period (August 1, 1940-July 31, 1948) of 9.8 million bales.

#### Export Demand Stronger

Exports in the year ended July 31, 1950, totaled 5.8 million bales - up 21 percent from the year before. This rate of export may be compared with annual exports during the first 3 postwar years (August 1945-July 1947) of 3 million bales. It is about four times the rate of exports during World War II, but only slightly higher than the rate during the 5 years immediately preceding it (5.3 million bales per year).

#### Supply Reduced

The prospective supply for the current cotton year is around 16.8 million bales (6.8 million bales on hand August 1, 1950, plus the 1950 crop of 9.8 million bales plus prospective imports of around 0.2 million bales). It is apparent that this supply is not sufficient to meet the domestic demand and the export demand, and leave a working carry-over. (The lowest carry-over in the past 30 years was 1.6 million bales on July 31, 1924.)

In view of the short supply, exports other than to Canada have been limited. The present limitation is approximately 3-1/2 million bales for the period August 1, 1950, through March 31, 1951. The Secretary of Agriculture has indicated that this situation will be reviewed frequently and the allocations for export adjusted if and as necessary to make best use of the available cotton. Nevertheless, it is evident that exports in as great a volume as last year will not be possible.

In the past 30 years there have been four periods when the total supply of American cotton has been less than 18 million bales - as it is now. The first was the period 1921-24. The second was the 3-year period 1927-29. The others were the period 1946 and 1947 and the year 1934. All four of them were periods of high prices of cotton as compared with the periods of larger supply which preceded and followed them.

#### Demand

Demand is not so easily measured as supply, but foreign demand is strong as indicated by the rate of exports before limitations were placed on exports. The effect on future foreign demand of the present inability of foreign customers to buy all the American cotton they would like to buy is problem-



atical. However, synthetic fiber plants cannot be built and brought into production in less than a year or two.

American mill consumption is nearly 50 percent larger than it was in the twenties and thirties.

#### World Cotton Situation

The United States produces approximately half of the world's cotton. It has more good cotton land - on which live people who know how to grow cotton - than any other country in the world.

In the current cotton year (the year that began August 1, 1950), the American production decreased approximately 6 million bales, while that of all other countries increased approximately 2 million bales as compared with the year before. World production, therefore, is down about 4 million bales, to approximately 27 million bales. This may be compared with prewar average world production of nearly 32 million bales.

Of the 2-million-bale increase in foreign production in the current cotton year, nearly half is in China and the Soviet Union, little of which, if any, will be generally available to competitive international trade.

World consumption of cotton in the current cotton year is expected to exceed the 29 million bales consumed last year. Thus, world carry-over is expected to be reduced by August 1951.

#### Legislation Affecting Cotton

At present, law provides for support of cotton prices at 80 to 90 percent of parity. They are currently supported at 90 percent of parity and the loan rate on middling 15/16" cotton is 29.45 cents per pound. The Department of Agriculture has announced that the 1951 crop will be supported at 90 percent of parity.

Under the present law, acreage planted to cotton in 1951 would be considered as a part of the base acreage in establishing future cotton acreage allotments. Price ceilings on raw cotton are possible under present law. Lowest possible ceilings under the law are parity prices or highest price in the period, May 24 to June 24, 1950, whichever is the higher. The average price received by farmers on June 15 was 29.91 cents per pound and the parity price on November 15 was 32.12 cents.

#### 16 Million Bales in 1951?

The Secretary of Agriculture has indicated the desirability of a 1951 cotton crop in the United States of at least 16 million bales. Such a crop would be about equal to current United States mill consumption plus last year's exports. It would be no more than large enough to supply the current demand.

Unless weather is unusually favorable, a crop as large as 16 million bales without sacrifice of substantial progress toward improved systems of farming,



will require informed decisions, careful planning, and determined efforts on the part of farmers.

Only once in the past 30 years has so large an increase in cotton production been made in one year as compared with the year before. That was in 1937, a year of exceptionally favorable weather in nearly all of the Cotton Belt and of mild insect infestations.

Much will depend on the availability and distribution of good seed, fertilizers, insecticides, critical items of equipment, and labor. Assignments have been made in the Department of Agriculture for study of needs of farmers for materials, equipment, and labor in relation to needs for agricultural products, including cotton. Responsibility has been placed in the Department for action as claimant agent for farmers in allocations. These responsibilities have been placed in the Production and Marketing Administration. Every effort will be made to see that adequate supplies are available insofar as compatible with needs for national defense. Nevertheless, some items will be scarce, because basic items necessary in their manufacture are needed for defense purposes.

Farmers can help to encourage off-season manufacture and early distribution of fertilizers, insecticides, and equipment by ordering and accepting delivery in advance of need. The difficulties involved in this, though serious, are not likely to be as serious as the likely difficulties of not having the items when they will be needed.

Cotton growers face a critical year. Careful study of the facts, considered decisions, well-laid plans, and determined efforts to make high yields are important this year.

Prepared by - E. P. Callahan  
Extension Economist  
Division of Agricultural Economics.



